

# Notes to Consolidated Financial Statements

## (1) Organization and Summary of Significant Accounting Policies

### (a) *Organization and Purpose*

The North Carolina Biotechnology Center (Biotechnology Center) was incorporated in 1984 for the purpose of furthering economic development in North Carolina through education, research, and commercial development in biotechnology. The Biotechnology Center aids the biotechnology-related efforts of researchers, businesses, state and federal governments, and other agencies primarily through awards of research grants restricted to specific programs.

The North Carolina Bioscience Ventures, LLC (Ventures) is a wholly owned subsidiary of the Biotechnology Center established for the purpose of promoting the development of the bioscience industry in North Carolina.

### (b) *Basis of Accounting and Presentation*

The consolidated financial statements have been prepared using the accrual basis of accounting.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Biotechnology Center and changes therein are classified and reported as follows:

**Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Biotechnology Center and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions or is time restricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

### (c) *Principles of Consolidation*

The consolidated financial statements include the financial statements of the North Carolina Biotechnology Center and its wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

### (d) *Significant Accounting Policies*

The following significant accounting policies have been used in the preparation of the consolidated financial statements:

#### **Cash and Investments**

The Biotechnology Center invests funds not immediately needed for day-to-day operations in short-term investments, primarily certificates of deposit and commercial paper, consistent with guidelines established by the Board of Directors. These guidelines require that the Biotechnology Center invest only in certain financial instruments considered to be both conservative and adequately diversified. The Executive Committee and the Equity Investment Committee periodically review the Biotechnology Center's investment portfolio.

Cash and cash equivalents consist of unrestricted cash accounts and highly liquid investments with an original maturity of three months or less, when purchased. Cash and cash equivalents are carried at cost, which approximates fair value. The Company holds cash and cash equivalents at several major financial institutions, which often exceed insurance limits set by the Federal Deposit Insurance